

Message Text

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ACTION EB-03

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FM AMEMBASSY QUITO

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INFO AMEMBASSY ABU DHABI

AMEMBASSY ALGIERS

AMEMBASSY BEIRUT

AMEMBASSY BRASILIA

AMEMBASSY CARACAS

AMEMBASSY DOHA

AMCONSUL GUAYAQUIL

AMEMBASSY JIDDA

AMEMBASSY KINSHASA

AMEMBASSY KUWAIT

AMEMBASSY LAGOS

AMEMBASSY LIBREVILLE

AMEMBASSY NEW DELHI

AMEMBASSY PARIS

USMISSION OECD PARIS

AMEMBASSY TRIPOLI

AMEMBASSY TEHRAN

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LIMDIS

E.O. 11652: GDS

TAGS: ENRG, EC

SUBJ: ECUADOREAN POSITION FOR A CONSUMER-PRODUCER CONFERENCE

REF: A. STATE 58837; B. STATE 67363

1. ECUADOR WAS AN EARLY ENTHUSIASTIC SUPPORTER OF A PRODUCER-
CONSUMER DIALOGUE WHEN THE PREVIOUS U.S. ADMINISTRATION RAISED
THE IDEA IN PRESIDENTIAL LETTERS TO THE HEADS OF OPEC STATES.

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INITIALLY ECUADOR ASSUMED IT WOULD BE INCLUDED IN A CONFERENCE

OF THE TWELVE OPEC MEMBERS WITH THE LEADING INDUSTRIAL COUNTRIES. IN TERMS OF STATUS ALONE, ECUADOR PROBABLY SAW ENORMOUS ADVANTAGES IN SUCH A CONFERENCE. IT REMAINS A SUPPORTER OF PRODUCER-CONSUMER DIALOGUE BUT SINCE IT WILL NOT BE ATTENDING THE PREP-CON, LOCAL INTEREST IN THE ISSUES, PARTICULARLY PROCEDURAL ONES, AND COMMENT ARE NATURALLY LIMITED.

2. PRESIDENT RODRIGUEZ' PRESS STATEMENT OF MARCH 4 IN ALGIERS IS A GOOD STARTING POINT FOR UNDERSTANDING ECUADOREAN OFFICIAL PERSPECTIVE ON WORLD ECONOMIC/ENERGY SITUATION. HE TRACED THE ORIGINS OF THE PRESENT "TENSE SITUATION" TO 150 YEARS OF UNJUST ECONOMIC RELATIONS BETWEEN THE DEVELOPED AND THE DEVELOPING COUNTRIES. HE DESCRIBED IT AS PERFECTLY NATURAL THAT THE POOR COUNTRIES ARE NOW GROUPING TOGETHER TO MAXIMIZE BENEFITS TO THEMSELVES FROM THEIR NATURAL RICHES. HE HELD OUT AS THE ONLY POSSIBILITY FOR A NEW EQUILIBRIUM THE EXPLICIT RECOGNITION BY THE DEVELOPED COUNTRIES OF THE RIGHT OF THE LDCS TO FORM GROUPS, SET PRICES, AND BE ASSURED ACCESS TO CREDIT AND TECHNOLOGY FOR THEIR DEVELOPMENT. HE WARNED THAT CONFRONTATION (BY THE DCS) COULD NOT SOLVE THE WORLD'S PRESENT ECONOMIC PROBLEM; IT CAN ONLY BRING DOWN THE WORLD.

3. ESSENTIALLY THEN, RODRIGUEZ ANALYZED CURRENT WORLD ECONOMIC PROBLEMS AS A NECESSARY AND JUST CRISIS OF REDISTRIBUTION. THIS REFLECTS PREDOMINANT OFFICIAL AND PUBLIC ECUADOREAN THINKING. AS TO THE POSSIBILITY THAT THIS CRISIS COULD CRIPPLE OR DESTROY THE RICH INDUSTRIAL GIANTS OF THE WEST, AND IN PARTICULAR THE U.S., THIS IDEA IS COMPLETELY INCONCEIVABLE TO MOST PEOPLE OF THIS SMALL, POOR COUNTRY.

4. FROM ITS OWN PERSPECTIVE AND SITUATION, ECUADOR HAS A NUMBER OF INTERESTS THAT IT WOULD HOPE TO SEE UPHELD IN PRODUCER-CONSUMER MEETINGS:

-- MAINTENANCE OF PETROLEUM PRICES. AS THE SMALLEST OPEC PRODUCER AND ONE OF THE NEEDIEST, ECUADOR WANTS TO MAXIMIZE PER BARREL REVENUE. IT ARGUES THAT PRESENT PRICES ONLY CORRECT PAST INJUSTICES AND APPEARS TO BELIEVE THAT PRICES ARE SUSTAINABLE AT OR NEAR THEIR PRESENT LEVELS THROUGH OPEC COOPERATION ON PRODUCTION LEVELS. IT REALIZES THAT IT MUST FOLLOW THE PRICING DESIRES OF LARGER OPEC MEMBERS. PERHAPS BECAUSE

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OPEC PRICING DECISIONS ARE LARGELY OUT OF THEIR HANDS, ECUADOREAN OFFICIALS SAY LITTLE ABOUT WHAT LONG TERM PRICING ARRANGEMENTS SHOULD BE.

-- ACCESS TO CREDIT. ECUADOR WILL REQUIRE EXTERNAL CREDIT TO FINANCE ITS AMBITIOUS PROGRAMS FOR INFRASTRUCTURE AND STATE INDUSTRIAL DEVELOPMENT. IF FAVORS EXTENSIVE LENDING BY THE WEALTHIER OPEC MEMBERS AND INDEED HOPES TO BE ABLE TO BORROW FROM THEM. IT IS SENSITIVE ABOUT ITS DECREASING ACCESS TO

BILATERAL AND MULTILATERAL ASSISTANCE FUNDS. WHEN ECUADOR ECHOES THE OPEC DEMAND FOR REFORM FOR THE INTERNATIONAL MONETARY SYSTEM, IT HOPES THAT AN INCREASED VOICE FOR OPEC STATES AND A DECREASED ROLE FOR DCs WILL MEAN A BETTER OPPORTUNITY FOR IT TO ACQUIRE CREDITS FROM INTERNATIONAL FINANCIAL INSTITUTIONS.

-- OPPOSITION TO CONFRONTATION. ECUADOR TENDS TO REGARD CONFRONTATION AS SOMETHING THAT THE OTHER SIDE ENGAGES IN. IN THE CONTEXT OF PRODUCER-CONSUMER MEETINGS, ECUADOR'S INVEIGHING AGAINST CONFRONTATION DOES NOT PARTICULARLY REFER TO FEAR OF INVASION. ALTHOUGH IT IS A LATIN AMERICAN COUNTRY, AND HENCE IN THE PART OF THE WORLD WHERE THE U.S. HAS A HISTORY OF INTERVENING, ECUADOR TOOK THE SECRETARY'S STATEMENT ON POSSIBLE USE OF FORCE IN THE EVENT OF STRANGULATION TO BE DIRECTED AT OTHER OPEC COUNTRIES. INSTEAD ECUADOR CONCEIVES CONFRONTATION AS ECONOMIC COERCION AND CONSPIRACY. IT HAS A DEEP SUSPICION OF IEA MOTIVES AND PURPOSES, AND DISTRUSTS THE IDEA OF A DC SAFETY NET OUTSIDE THE IMF. IT FEARS MACHINATIONS SETTING LDC CONSUMERS AGAINST LDC PRODUCERS. IT SEES CONSPIRACY IN REDUCED COMPANY LIFTINGS THAT ARE SAID TO BE BECAUSE OF OVER-PRICING.

-- CONSERVATION. ECUADOR FAVORS CONSERVATION OF PETROLEUM SUPPLIES AND HAS LIMITED ITS OWN PRODUCTION FOR THAT REASON. HOWEVER, IT WOULD RESENT OUTSIDE MANDATORY INSTRUCTIONS ON WHETHER TO PRODUCE MORE OR LESS THAN IT UNILATERALLY DECIDES.

-- NEW ECONOMIC ORDER. BESIDES THE REFORM OF THE INTERNATIONAL MONETARY SYSTEM ALLUDED TO ABOVE, ECUADOR WOULD FAVOR INCREASED ASSISTANCE BY BOTH THE INDUSTRIAL AND THE WEALTHY OPEC COUNTRIES TO THE LDCs, AMONG WHOM IT INCLUDES ITSELF. IT WOULD LIKE AN EXPLICIT ACKNOWLEDGEMENT OF THE RIGHT OF LDCs TO TAKE SINGLE AND COLLECTIVE MEASURES IN DEFENSE OF THE EXPLOITATION AND MARKETING OF THEIR NATURAL RESOURCES. HOWEVER, THE LATTER DESIRE MAY BE MORE A QUESTION OF PRINCIPLE THAN PLANNED PRACTICE FOR ECUADOR. IN FACT, ECUADOR USUALLY TAKES POSITIONS THAT WE REGARD AS REASONABLE AND PRACTICAL ON

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COMMODITY QUESTIONS OTHER THAN PETROLEUM. IT HAS RESISTED PRESSURES TO JOIN THE UPEB PROTO-CARTEL ALTHOUGH IT IS THE LARGEST BANANA EXPORTER. THIS HAS UNDOUBTEDLY WEAKENED THE UPEB.

5. ECUADOR PROBABLY EXPECTS THE OPEC REPRESENTATIVES, PARTICULARLY VENEZUELA, ALGERIA, AND IRAN, TO DEFEND AND PROTECT ITS CONCERNS AMPLY AT THE PREP-CON. AT THE SAME TIME, MEMBERSHIP IN OPEC LOOMS SO LARGE IN GOE'S SENSE OF ITS INTERNATIONAL IMPORTANCE THAT ECUADOR COULD PROBABLY NOT AFFORD TO DISSENT FROM WHATEVER OUTCOME THE OPEC REPRESENTATIVES SHOULD AGREE TO IN UPCOMING MEETING.

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